



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WHITLEY COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES AND
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

July 6, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY
WHITLEY COUNTY
ANCIL CARTER, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES AND
1999 UNMINED COAL TAXES

This is a summary of the Whitley County Sheriff's 1999 Tax Settlement as of July 6, 2000. The audit also included Settlement of the 1999 Unmined Coal Taxes. Collections for normal taxes totaled \$4,134,454 and unmined coal taxes \$1,927. After collections and payments, the Sheriff is due refunds from the districts totaling \$439. We have issued an unqualified opinion on the Whitley County Sheriff's 1999 Tax Settlement and 1999 Unmined Coal Tax Settlement.

Deficit:

Our audit of the Sheriff's tax collections and payments for 1999 taxes indicated the Sheriff has a deficit of \$2,170. The Sheriff eliminated this deficit by depositing personal funds of \$2,170 on December 5, 2000.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael L. Patrick, Whitley County Judge/Executive

Honorable Ancil Carter, Whitley County Sheriff

Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the Whitley County Sheriff's Settlement - 1999 Taxes and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of July 6, 2000. These tax settlements are the responsibility of the Whitley County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Whitley County Sheriff's taxes charged, credited, and paid as of July 6, 2000, in conformity with the basis of accounting described in the preceding paragraph.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Michael L. Patrick, County Judge/Executive
Honorable Ancil Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Not Have A Deficit In Tax Account

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 1, 2000

WHITLEY COUNTY
ANCIL CARTER, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

July 6, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 473,772	\$ 501,001	\$ 1,469,051	\$ 806,713
Tangible Personal Property	83,391	80,897	110,404	244,281
Intangible Personal Property				73,844
Oil and Gas Properties	9,294	9,828	48,287	15,811
Fire Protection	3,928			
Franchise Corporation	101,871	102,549	341,183	
Increased Through Erroneous Assessments	5,158	5,212	20,809	15,819
Penalties	5,203	5,461	17,846	9,006
Adjusted to Sheriff's Receipt	1,770	1,767	1	1,462
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Gross Chargeable to Sheriff	\$ 684,387	\$ 706,715	\$ 2,007,581	\$ 1,166,936
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<u>Credits</u>				
Discounts	\$ 7,969	\$ 8,234	\$ 20,955	\$ 16,861
Exonerations	12,078	12,739	30,220	22,291
Delinquents:				
Real Estate	40,049	41,980	141,517	67,533
Tangible Personal Property	1,301	1,262	1,415	2,949
Intangible Personal Property				1,642
Uncollected Franchise	62	66	43	
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Total Credits	\$ 61,459	\$ 64,281	\$ 194,150	\$ 111,276
	<hr/>	<hr/>	<hr/>	<hr/>
Net Tax Yield	\$ 622,928	\$ 642,434	\$ 1,813,431	\$ 1,055,660
Less: Commissions (a)	26,762	27,303	72,537	45,153
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Net Taxes Due	\$ 596,166	\$ 615,131	\$ 1,740,894	\$ 1,010,507
Taxes Paid	595,661	614,622	1,810,298	1,009,650
Add: School Commissions Paid			72,783	
Less: Refunds (Current and Prior Year)	544	564	3,723	858
	<hr/>	<hr/>	<hr/>	<hr/>
Refunds Due Sheriff		(b)	(c)	
as of Completion of Fieldwork	\$ (39)	\$ (55)	\$ (344)	\$ (1)
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(a), (b), and (c) See Page 4

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 July 6, 2000
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	2,311,022
4% on	\$	1,813,431

(b) Special Taxing Districts:

Library District	\$	(18)
Health District		(21)
Extension District		(3)
Soil District		(13)
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Refunds Due Sheriff	\$	(55)
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(c) School Districts:

Common School District	\$	1
Corbin School District		(345)
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Amount Due District or (Refund) Due Sheriff	\$	(344)
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WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

July 6, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 273	\$ 288	\$ 1,416	\$ 464
<u>Credits</u>				
Discounts	\$ 4	\$ 4	\$ 24	\$ 8
Exonerations	25	26	129	42
Delinquents	19	20	98	32
Total Credits	\$ 48	\$ 50	\$ 251	\$ 82
Net Tax Yield	\$ 225	\$ 238	\$ 1,165	\$ 382
Less: Commissions *	10	10	47	16
Net Taxes Due	\$ 215	\$ 228	\$ 1,118	\$ 366
Taxes Paid	215	228	1,165	366
Add: School Commissions Returned			47	
Due Districts as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0

* Commissions:

4.25% on \$ 845

4% on \$ 1,165

The accompanying notes are an integral part of the financial statements.

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENTS

July 6, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of July 6, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

WHITLEY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
July 6, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 25, 1999 through June 6, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 24, 2000 through December 29, 1999.

Note 4. Interest Income

The Whitley County Sheriff earned \$13,163 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

WHITLEY COUNTY
 ANCIL CARTER, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

July 6, 2000

Assets

Cash in Bank		\$	333,512
Deposits in Transit			14,778
Receivables:			
State	\$	1	
County		39	
Corbin School		345	
Library		18	
Health		21	
Extension		3	
Soil		13	
Interest Due from Common School		146	
Interest Due from Corbin School		430	
Sheriff's Fee Account-			
Over Payment of Sheriff's Fees		56	
Bank Charges on Tax Account		84	
Printing Checks for Tax Account		224	
State's 1999 Tax Refund Collected By Fee Account		53	1,433
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Total Assets		\$	349,723

Liabilities

Paid Obligations-			
Outstanding Checks	\$	270,926	
Outstanding Liabilities		76,881	
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Total Paid Obligations		\$	347,807
Unpaid Obligations-			
Taxes Due Common School	\$	1	
Sheriff's Fee Account-			
Tax Commissions Due		418	
Interest Due		653	
Receipts Deposited to Tax Account in Error		3,014	
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Total Unpaid Obligations			4,086
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Total Liabilities		\$	351,893
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Total Fund Deficit as of July 6, 2000		\$	(2,170)

COMMENT AND RECOMMENDATION

WHITLEY COUNTY
ANCIL CARTER, SHERIFF
COMMENT AND RECOMMENDATION

July 6, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Not Have A Deficit In Tax Account

Based on available records, there was a deficit of \$2,170 in the Sheriff's 1999 tax account. This resulted from undeposited tax receipts. We recommend the Sheriff deposit \$2,170 from personal funds to eliminate this deficit.

Sheriff Carter's Response:

Will deposit money into 1999 Tax Account.

Auditor's Reply:

On December 5, 2000, Sheriff Carter deposited personal funds of \$2,170 into the 1999 Tax Account to eliminate the deficit.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Michael L. Patrick, Whitley County Judge/Executive
Honorable Ancil Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Whitley County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1999 Unmined Coal Taxes as of July 6, 1999, and have issued our report thereon dated December 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Sheriff Should Not Have A Deficit In Tax Account

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Michael L. Patrick, Whitley County Judge/Executive
Honorable Ancil Carter, Whitley County Sheriff
Members of the Whitley County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 1, 2000

